

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 NEA-14 ISO-00 FEA-02 AEC-11

AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04

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R 240636Z JUN 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 0053

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY JIDDA

USMISSION OECD PARIS

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

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EO 11652: NA

TAGS: ENRG, KU

SUBJ: STATUS KUWAIT PARTICIPATION CRUDE AUCTION

1. TO DATE THERE HAS BEEN LITTLE INTEREST SHOWN IN KUWAIT'S AUCTION OF APPROX 1.3 MILLION BPD PARTICIPATION CRUDE.

2. ALL POTENTIAL BUYERS APPARENTLY WERE AWAITING RESULTS OF QUITO OPEC MEETING TO SEE WHAT EFFECT IT MIGHT HAVE ON MARKET. NOW THAT QUITO MEETING OVER, RESULTING IN LITTLE EFFECT ON PRICES, IT EXPECTED THAT NEXT WEEK WILL SHOW HEIGHTENED ACTIVITY, BUT SO FAR IT HAS NOT RPT NOT DEVELOPED. THERE RUMORS THAT LARGE GROUP "FROM FAR EAST" COMPOSED OF PREVIOUS CUSTOMERS OF KOC WILL ARRIVE JUNE 25, BUT THIS UNCONFIRMED.

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3. MINISTER FINANCE AND OIL ATIQI REPORTED TO HAVE RETURNED

UNEXPECTEDLY TO KUWAIT JUNE 23, AND IT PRESUMED HERE THAT HE RETURNED EARLY IN ORDER TO TAKE AUCTION IN HAND.

4. EXPECTATION AT KUWAIT OIL COMPANY IS THAT AUCTION WILL PROVE DISAPPOINTMENT TO KUWAITIS, AND GOK PROBABLY WILL BE WILLING ENTER NEGOTIATIONS WITH KOC PRINCIPALS, GULF AND BP, EARLY JULY FOR BUY-BACK ALL OR PART GOK'S 60 PERCENT PARTICIPATION SHARE. NEITHER GULF NOR BP BIDDING IN THIS MONTH'S AUCTION.

5. COMMENT: EMBASSY WISHES UNDERLINE THAT ALL BUY-BACK NEGOTIATIONS TO DATE BETWEEN GULF/BP AND GOK (REPORTED SEPARATELY) HAVE CONCERNED PAST LIFTINGS (FIRST SIX MONTHS 1974), AND REMAINDER 1974 HAS NOT RPT NOT BEEN DISCUSSED. THERE SOME SPECULATION THAT IF GOK DOES NOT GET WHAT IT CONSIDERS ADEQUATE PRICE IN AUCTION OR FROM GULF OR BP IT MIGHT CARRY OUT THREAT TO SHUT IN ITS SHARE, REDUCING TOTAL KOC OUTPUT TO APPROX 1.5 MILLION BPD. QUESTION, OF COURSE, IS WHAT CONSTITUTES "ADEQUATE PRICE". THERE SEEMS BE UNANIMOUS OPINION THAT, SAY, DOLS 10.00 IS NOT, AND IN TODAY'S MARKET DOLS 10.74 (APPROX 93 PERCENT POSTING) PROBABLY IS. EMBASSY BELIEVES ATIQUI WILL RESIST AS BEST HE CAN PRESSURES TO REDUCE PRODUCTION BY WITHHOLDING GOK PARTICIPATION SHARE; HOWEVER, GIVEN ALLEGED YAMANI STATEMENT, REPORTED LONEON 7779, THAT HE WOULD OBTAIN BUY-BACK PRICE OF DOLS 10.70 (WHICH APPROX 92 PERCENT POSTING FOR ARABIAN LIGHT), WE DO NOT RPT NOT SEE HOW ATIQUI CAN ACCEPT ANYTHING LESS THAN EQUIVALENT PRICE, OR APPROX DOLS 10.61.
MCCLELLAND

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